

## Athena

An actively managed global opportunities fund, exploiting exceptional value across the structured credit universe, targeting future returns of 8-10% p.a. over 3 years.

March 2015	- 0.50%
2015 YTD	- 1.36%
2014	+ 3.01%
2013	+ 18.64%
2012	+ 32.34%

## Galene

Actively managed global fund focusing on investment-grade structured credit assets, targeting returns in excess of 1M EURIBOR+300bps p.a.

### GBP Share Class

March 2015	+ 2.11%
2015 YTD	+ 0.15%
2014	+ 7.26%
2013	+ 5.32%
2012, from June launch	+ 5.55%

### USD Share Class

March 2015	- 1.77%
2015 YTD	- 4.70%
2014	+ 2.20%
2013, from April launch	+ 7.15%

### EUR Share Class

March 2015	+ 1.36%
2015 YTD	+ 6.45%
2014, from April launch	+ 7.04%

## Metreta

Senior structured credit assets, seeking stable returns of EURIBOR+100bps p.a.

March 2015	+ 0.23%
2015 YTD	+ 0.42%
2014	+ 1.69%
2013	+ 0.95%
2012, from March launch	+ 4.60%

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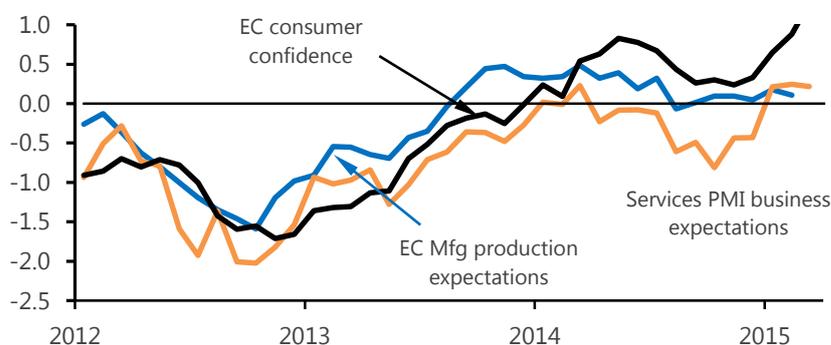
## Optimism surges for a European recovery

As the ECB's QE programme is now active, optimism has surged on the outlook for the European economy. Specifically, a decline in the Euro and lower rates have been the most notable causes for these improved expectations. With the drop in yields and more money in the system, both the demand for, and the offer of, credit to the real economy have improved. Banks are now reporting loosening in credit conditions and the demand for credit from households is booming in previously frozen markets (e.g. +40% mortgage applications YoY in Italy). Additionally, bank net lending to non-financial corporates has been positive in December and February for the first time since H1 2012.

### Euro area sentiment indicators

Source: JP Morgan, EC, Markit

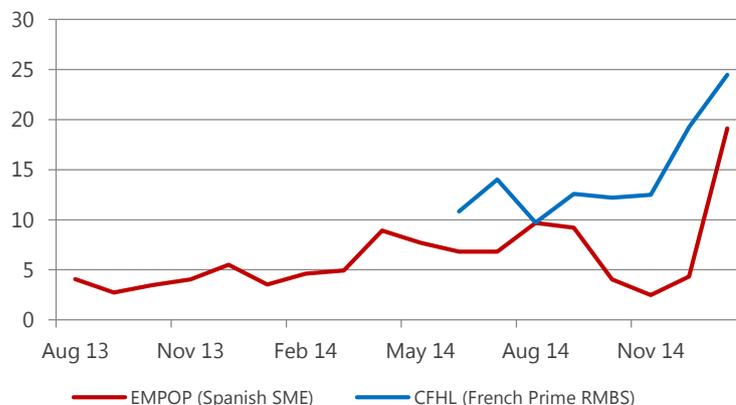
Standard deviations from mean, 2000-13



The most dramatic change in Q1 could actually be the sharp increase in business sentiment. This improved sentiment, coupled with the drop in oil prices has bolstered economic activity substantially, especially in the periphery. In Spain, for example, car sales are up 26% YoY, house transactions are up 9% and house prices are now increasing for the first time since the crisis. With higher availability of credit and lower rates, refinancing loans becomes an attractive option for borrowers and prepayment rates in European ABS and RMBS have started to increase. Higher amortisations of bonds backed by such collateral can be a substantial source of excess returns for pre-crisis bonds priced below par.

### Loan prepayment rates (%)

Source: Prytania Investment Advisors, April 2015

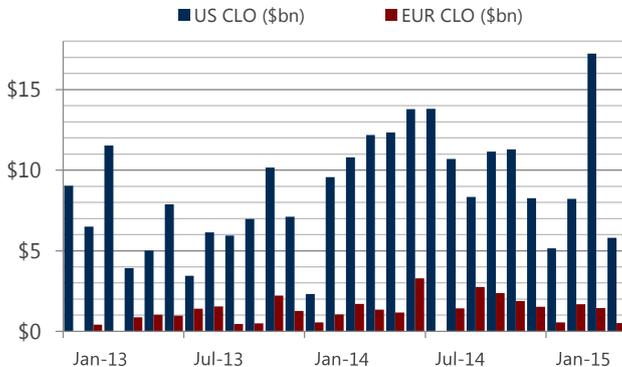


Despite these improvements, the European economy still faces strong challenges. The decreasing but high levels of unemployment and public deficits need to be addressed before further damage is created by populist parties such as Syriza in Greece. In that regard, the drop of Podemos in the polls against Ciudadanos (centre-left) is arguably a significant positive for Spain in recent times.

## CLO feast and loan famine

After a lacklustre start to the year in terms of both M&A activity (new issue loan supply), CLO issuance and credit market volatility on the back of concerns over Greece, combined with many research articles predicting lower CLO issuance volumes in 2015, it came as somewhat of a surprise to many to see an explosion of issuance through March 2015 leaving the year 36% higher in global volume than at this point in 2014. We believe that some of this surge is due to terming out warehouses accumulated in the turbulent winter period and does not mean 2015 volumes will be 36% higher as a whole. The question, however, remains if there is a suitable loan issuance pipeline to meet continued demand from CLOs and other buyers.

US & EUR Monthly CLO Issuance (\$bn)  
Source: Prytania Investment Advisors, April 2015

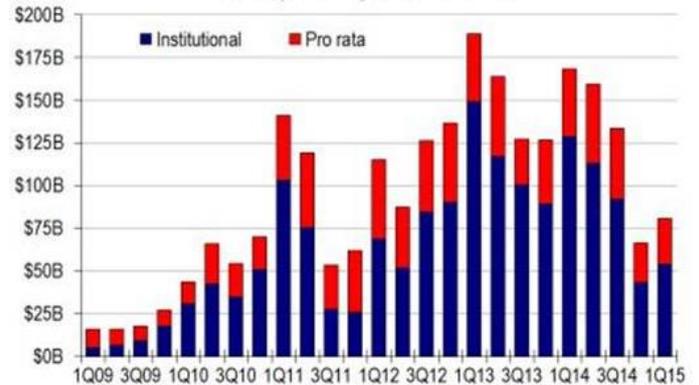


The new issue loan calendar remains subdued with just \$42bn of institutional loans having priced year-to-date across 89 deals, versus \$147bn across 259 deals at the same time last year. 2015 is off to the slowest start for any year since 2010. A large part of the reason is due to Federal Reserve-supervised arrangers remaining under intense regulatory pressure to issue loans that would pass the stricter leveraged lending standards which narrows the underwriting window further than might have been expected at this stage of the cycle. Looking ahead, arrangers expect acquisition-driven loan volume to persist at the steady pace of early 2015 with an emphasis on strategic transactions, both corporate and private-equity backed, that will still pass regulatory standards.

This document provides information about the Prytania Athena Fund ('Athena'), Galene Fund ('Galene'), Metreta Fund ('Metreta') and the services provided by Prytania Investment Advisors LLP ('the manager') as well as a general market update. Opinions, forward looking statements and projections expressed represent the views of the contributor at the time of preparation. The Manager does not accept any liability whether direct or indirect arising from the use of the information contained in this newsletter, which, to the knowledge of the Manager is reliable and accurate but cannot be guaranteed. The Manager is FCA authorized to undertake regulated investment business. The Manager is not currently registered as an investment advisor with the United States Securities and Exchange Commission. This document must not be construed as investment advice or offer to invest in any Prytania fund and has been provided to you solely for your information and may not be copied, reproduced, further distributed to any other person or published, in whole or in part for any purpose. Any other person receiving this document should not rely upon its content. This document is intended for use by Professional Clients, Eligible Counterparties and accredited investors, as defined under Regulation D of the United States Securities Act of 1933, as amended (the "Securities Act") only. Past performance is not necessarily indicative of future results and nothing contained herein shall constitute any representation or warranty as to the future performance of the fund, any financial instrument or other market or economic measure. All returns are net of fees. Only year-end returns are audited. The representative of the Athena and Galene in Switzerland is Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva. The Paying Agent in Switzerland is Banque Cantonale de Genève, BCGE. The distribution of Shares in Switzerland must exclusively be made to qualified investors. The place of performance and jurisdiction for Shares in the Fund distributed in Switzerland are at the registered office of the Representative.

Lower loan supply combined with heightened - or even steady - demand will result in a tightening of loan spreads and an increase in loan prices. It could also loosen credit standards.

Quarterly Leverage Loan Volume  
Source: S&P Capital IQ LCD



For outstanding CLOs this means equity NAVs should increase in the near term and early redemptions via a call should become more likely, 2 areas that Prytania funds are positioned to take advantage of. Longer term effects, however, point to mispriced risk and reward and problematic ramp-up of new issue CLOs. These effects are magnified if interest rate hikes trigger retail loan funds to step back materially into the market.

Prytania still believes CLO volumes will be lower in 2015 than they were in 2014 and lower loan issuance will support that. Whilst technicals seem to suggest the CLO debt market is attractively positioned, investors need still be mindful of the 'banana skins' prevalent in a hot market with an imbalanced supply-demand dynamic and would caveat that attractive returns remain available but need the expertise of the right credit manager.

## Fitch upgrade global structured credit

According to Fitch, "in 2014 global structure finance upgrades exceeded downgrades for the first time since the financial crises". 12% of ratings improved whilst only 7% were downgraded. Further, 99% of AAA-rated tranches kept their rating. For the full article, please see [here](#).